

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6235

BILL NUMBER: SB 186

NOTE PREPARED: Nov 29, 2011

BILL AMENDED:

SUBJECT: Motor Vehicle Insurance Cancellation.

FIRST AUTHOR: Sen. Grooms

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill requires an insurer, upon cancellation of a motor vehicle liability policy that covers a motor vehicle registered in Indiana, to provide certain notice to the Bureau of Motor Vehicles (BMV) and the policyholder. The bill requires the policyholder to provide certain information to the bureau. The bill also authorizes the BMV to suspend a vehicle registration if the policyholder fails to provide the information. The bill amends the penalties for operating a motor vehicle without financial responsibility.

Effective Date: July 1, 2012; July 1, 2013.

Explanation of State Expenditures: This bill will increase the workload of the BMV and the Department of Insurance (DOI) to ensure that insurers provide necessary notification to the BMV and that insureds maintain policies of financial responsibility as a condition of operating a motor vehicle and to hold additional hearings for individuals who operate motor vehicles without the requisite proof of financial responsibility.

The bill will require the BMV to suspend (and in some cases demand the surrender of) vehicle registrations for those individuals who do not provide the BMV with verification of financial responsibility. The bill will also increase the number of notifications the BMV currently receives regarding policies of financial responsibility.

Additionally, the bill would allow the DOI to take action against insurance companies that fail to provide the required notification to the BMV. This action would most likely be provided through an administrative review process. This bill may increase the workload of the DOI to provide administrative review to the extent (1) insurance companies fail to provide the required notice to the BMV and (2) the DOI elects to take action against violating insurers.

Explanation of State Revenues: To the extent more individuals are found to operate motor vehicles without the requisite proof of financial responsibility resulting in a driver's license suspension, this bill may increase state revenue received from license reinstatement fees. Currently, the first \$30 of each reinstatement fee paid by an individual is deposited into the Motor Vehicle Highway Account (MVHA), while the remaining portion is deposited into the Financial Responsibility Compliance Verification Fund.

The current fees paid to have a driver's license reinstated after suspension (along with the amount that is forwarded to the Financial Responsibility Compliance Verification Fund) for failure to maintain financial responsibility are shown in the following table.

Suspension	Total Fee	Deposited in the Financial Responsibility Compliance Verification Fund
First Occurrence	\$150	\$120
Second Occurrence	\$225	\$195
Third or Subsequent Occurrence	\$300	\$270

The total amount of revenue received from license reinstatements that was forwarded to the MVHA and the Financial Responsibility Compliance Verification Fund for FY 2011 was \$6.7 M.

Penalty Provision: This bill also increases the current penalty provisions for operating a motor vehicle without a financial responsibility policy in effect. Currently, the penalty for knowingly operating or permitting the operation of a motor vehicle without financial responsibility is a Class A infraction. The bill will make this violation a Class C misdemeanor.

Further, the bill also changes the penalty for a subsequent violation of operating a motor vehicle without financial responsibility. Currently, the penalty for a subsequent violation of operating a motor vehicle without financial responsibility is a Class C misdemeanor. The bill will make this violation a Class B misdemeanor.

This bill potentially increases revenue to the Common School Fund and could reduce revenue that is deposited in the state General Fund. Currently, the maximum judgment for a Class A infraction is \$10,000, which is deposited into the state General Fund, while (1) the maximum fine for a Class C misdemeanor is \$500, which is deposited into the Common School Fund. The state General Fund may receive additional court fee revenue.

Revenue to the Common School Fund may also increase if a person is sentenced for a Class B misdemeanor rather than for a Class C misdemeanor. The maximum fine for a Class C misdemeanor is \$500, while the maximum fine for a Class B misdemeanor is \$1,000.

Explanation of Local Expenditures: *Penalty Provision:* Local expenditures could increase if offenders are incarcerated in local jails instead of being only fined. However, any cost increase is likely to be small. A Class C misdemeanor is punishable by up to 60 days in jail.

The maximum term of imprisonment for a Class C misdemeanor is up to 60 days, while the maximum term for a Class B misdemeanor is up to 180 days. However, any additional costs to local governments are likely to be small.

Explanation of Local Revenues: *Penalty Provision:* Local governments could receive additional revenues from any court fees that are collected for cases that were infractions and are now misdemeanors.

State Agencies Affected: DOI; BMV; Department of Correction.

Local Agencies Affected: Trial courts; local law enforcement agencies.

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